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February 6, 2018

Board of Directors
Delaware Advancement Corporation
401 S. High Street
Muncie, IN 47305

We have reviewed the report prepared by Delaware Advancement Corporation and opined upon by Whiting & Company LLC, Independent Public Accountants, for the period October 1, 2015 to September 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Delaware Advancement Corporation as of September 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Whiting & Company LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**DELAWARE ADVANCEMENT
CORPORATION**
MUNCIE, INDIANA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Advancement Corporation
Muncie, Indiana

We have audited the accompanying financial statements of Delaware Advancement Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Delaware Advancement Corporation
Page Two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Advancement Corporation as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whitinger + Company LLC

Certified Public Accountants
Muncie, Indiana

January 30, 2017

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 968,344	\$ 1,320,507
Accounts receivable, net of allowance for doubtful accounts of \$5,000 as of September 30, 2016 and 2015	153,211	128,606
Contributions receivable, net of allowance and discount of \$-0- and \$17,516 as of September 30, 2016 and 2015, respectively	108,400	252,984
MLF funds receivable, net of allowance for doubtful accounts of \$-0- as of September 30, 2016 and 2015		16,822
Inventory	29,312	28,886
Notes receivable	556,550	626,347
Real estate held for sale	978,534	900,000
Investment in leased property	12,480,722	12,467,744
Beneficial interest in endowments	10,817	
Prepaid expenses	23,708	9,488
Property and equipment, net	<u>1,384,264</u>	<u>1,253,572</u>
Total Assets	<u>\$ 16,693,862</u>	<u>\$ 17,004,956</u>
LIABILITIES		
Accounts payable	\$ 33,282	\$ 42,482
Accrued expenses	93,794	112,903
Deposits	163,830	324,406
Notes payable	<u>12,932,159</u>	<u>12,996,059</u>
Total Liabilities	<u>\$ 13,223,065</u>	<u>\$ 13,475,850</u>
NET ASSETS		
Unrestricted		
Current operations	\$ 1,623,761	\$ 1,607,327
Residual interest funds	<u>1,727,819</u>	<u>1,668,795</u>
	\$ 3,351,580	\$ 3,276,122
Temporarily restricted	109,217	252,984
Permanently restricted	<u>10,000</u>	
Total Net Assets	<u>\$ 3,470,797</u>	<u>\$ 3,529,106</u>
Total Liabilities and Net Assets	<u>\$ 16,693,862</u>	<u>\$ 17,004,956</u>

See accompanying Notes to Financial Statements.

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND OTHER SUPPORT				
Operating rental and commissions	\$ 324,646			\$ 324,646
Office lease rental	33,016			33,016
Investment property lease	380,731			380,731
Civic Center Authority				
Operating support	1,124,244			1,124,244
Capital improvements	381,576			381,576
Contributions		\$ 151,781		151,781
Grants	68,000			68,000
Redevelopment Commission	96,855			96,855
Catering revenue	936,252			936,252
Other revenue	50,454			50,454
Change in value of beneficial interest in endowments		717		717
Interest	6,344			6,344
	<u>\$ 3,402,118</u>	<u>\$ 152,498</u>		<u>\$ 3,554,616</u>
Net assets released from restriction	296,365	(296,365)		
Total Revenue and Other Support	<u>\$ 3,698,483</u>	<u>\$ (143,867)</u>		<u>\$ 3,554,616</u>
COSTS AND EXPENSES				
Program services				
Convention Center program	\$ 1,670,237			\$ 1,670,237
Micro loan fund program	95			95
Redevelopment Commission	96,855			96,855
Catering	873,434			873,434
Economic development	683,272			683,272
Total Program Services	<u>\$ 3,323,893</u>			<u>\$ 3,323,893</u>
Management and general	252,901			252,901
Fundraising	36,131			36,131
Total Costs and Expenses	<u>\$ 3,612,925</u>			<u>\$ 3,612,925</u>
CHANGE IN NET ASSETS	\$ 85,558	\$ (143,867)		\$ (58,309)
Change in restriction	(10,100)	100	\$ 10,000	
NET ASSETS, BEGINNING OF YEAR	<u>3,276,122</u>	<u>252,984</u>	<u>-0-</u>	<u>3,529,106</u>
NET ASSETS, END OF YEAR	<u>\$ 3,351,580</u>	<u>\$ 109,217</u>	<u>\$ 10,000</u>	<u>\$ 3,470,797</u>

See accompanying Notes to Financial Statements.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 301,027			\$ 301,027
70,978			70,978
126,689			126,689
1,149,240			1,149,240
240,800			240,800
	\$ 163,822		163,822
142,250			142,250
97,948			97,948
762,326			762,326
96,996			96,996
7,710			7,710
<u>\$ 2,995,964</u>	<u>\$ 163,822</u>		<u>\$ 3,159,786</u>
612,380	(612,380)		
<u>\$ 3,608,344</u>	<u>\$ (448,558)</u>		<u>\$ 3,159,786</u>
\$ 1,517,895			\$ 1,517,895
450			450
97,948			97,948
748,728			748,728
1,004,594			1,004,594
<u>\$ 3,369,615</u>			<u>\$ 3,369,615</u>
256,381			256,381
36,624			36,624
<u>\$ 3,662,620</u>			<u>\$ 3,662,620</u>
\$ (54,276)	\$ (448,558)		\$ (502,834)
3,330,398	701,542		4,031,940
<u>\$ 3,276,122</u>	<u>\$ 252,984</u>	<u>\$ -0-</u>	<u>\$ 3,529,106</u>

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Miscellaneous cash received	\$ 40,466	\$ 96,996
Grants received	68,000	142,250
Operating cash received	3,263,014	2,749,202
Interest received	6,344	7,710
Interest paid	(269,673)	(126,689)
Cash paid to suppliers and employees	(3,064,256)	(2,984,345)
Net Cash Provided (Used) By Operating Activities	\$ 43,895	\$ (114,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (452,288)	\$ (243,719)
Proceeds from sale of equipment	12,267	220
Investment in endowment	(10,100)	
Investment in leased property	(12,978)	(7,527,721)
Net Cash Used By Investing Activities	\$ (463,099)	\$ (7,771,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from restricted contributions	\$ 308,100	\$ 373,640
Cash received on note receivable	69,797	55,838
Proceeds from notes payable		7,480,565
Net payments related to property financing	(168,422)	(191,706)
Payments on notes payable	(142,434)	(85,464)
Net Cash Provided By Financing Activities	\$ 67,041	\$ 7,632,873
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (352,163)	\$ (253,223)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,320,507	1,573,730
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 968,344	\$ 1,320,507

See accompanying Notes to Financial Statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

	<u>2016</u>	<u>2015</u>
CHANGE IN NET ASSETS	\$ (58,309)	\$ (502,834)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	\$ 318,984	\$ 279,197
Cash received from restricted contributions	(308,100)	(373,640)
Net payments for property financing	168,422	191,706
Gain on sale of equipment	(9,655)	(220)
Change in value of beneficial interest in endowments	(717)	
Changes in assets		
Accounts receivable	(24,605)	6,488
Contributions receivable	144,584	448,558
MLF funds receivable	16,822	(6,074)
Inventory	(426)	(2,740)
Prepaid expenses	(14,220)	1,332
Changes in liabilities		
Accounts payable	(9,200)	(6,120)
Accrued expenses	(19,109)	(970)
Deposits	(160,576)	(149,559)
TOTAL ADJUSTMENTS	\$ 102,204	\$ 387,958
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 43,895	\$ (114,876)

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Delaware Advancement Corporation (DAC) was incorporated as a not-for-profit organization in August 1984, under the laws of the State of Indiana. DAC is operated to encourage the investment of business firms and individuals in the city of Muncie and Delaware County, Indiana, through neighborhood assistance programs, jobs and job training, education, operation of the Convention Center, community services, and to aid economically disadvantaged individuals directly and by contribution.

The Convention Center is a division of DAC organized to renovate, equip, operate, maintain, and promote the use of the former Federal Building as a convention center under a long-term operating agreement (35 years) entered into with the Delaware County Civic Center Authority as of September 4, 1986. At the termination of the operating agreement, any surplus funds held by DAC and received as compensation under terms of the agreement shall be turned over to the Authority. The residual interest accruing to the Authority is reflected as unrestricted net assets-residual interest funds in the statement of financial position.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Organization follows the accrual basis of accounting.

Net Asset Classifications

The financial statements have been prepared in accordance with *FASB ASC 958, Not-for-Profit Entities*. *FASB ASC 958* requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets — The unrestricted net asset class includes general and board-designated assets and liabilities of the Organization. The unrestricted net assets of DAC may be used at the discretion of management to support DAC's purposes and operations.

Temporarily Restricted Net Assets — The temporarily restricted net asset class includes assets of DAC related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently Restricted Net Assets — The permanently restricted net asset class represents the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)*Cash and Cash Equivalents*

Cash and cash equivalents consist of bank deposits in federally insured accounts and liquid investments held in trust with original maturities of three months or less. Accounts are insured up to \$250,000. As of September 30, 2016, cash in bank accounts in excess of insured amounts was approximately \$44,000.

For purposes of the statement of cash flows, DAC considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less, to be cash equivalents.

Income Taxes

DAC is exempt from federal income taxes under *Section 501(c)(3)* of the *U.S. Internal Revenue Code*. DAC is not considered to be a private foundation within the meaning of *Internal Revenue Code Section 509(a)(3)*.

The Organization's federal and state income tax returns are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue, generally for three years after they are filed.

Property and Equipment

Expenditures for property and equipment and items that substantially increase the useful lives of existing assets are capitalized at cost. DAC provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives of 3 to 20 years.

Inventory

Inventories are stated at the lower of cost, on the first-in/first-out method, or market.

Support and Revenue

DAC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, which restrictions are met within the same year as received, are reported as unrestricted contributions in the current year. All other operating income is unrestricted in nature and accrues as it is earned.

Expense Allocation

Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditures and cost allocations.

Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$185,496 in 2016 and \$285,028 in 2015.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable have been discounted at a rate of 1.61% to reflect the net present value of the future cash flows. Contributions receivable at September 30 are as follows:

	<u>Temporarily Restricted</u>	
	<u>2016</u>	<u>2015</u>
Due within one year	\$ 108,400	\$ 177,300
Due in 1 - 5 years		93,200
	<u>\$ 108,400</u>	<u>\$ 270,500</u>
Allowance for uncollectible contributions		(11,735)
	<u>\$ 108,400</u>	<u>\$ 258,765</u>
Discount		(5,781)
	<u><u>\$ 108,400</u></u>	<u><u>\$ 252,984</u></u>

Contributions receivable restricted for specific purposes are as follows:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Vision 2016 Program	<u>\$ 108,400</u>	<u>\$ 252,984</u>

The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific pledges.

3. BENEFICIAL INTEREST IN ENDOWMENTS

During 2016, DAC established endowment funds with the Community Foundation of Muncie and Delaware County, Inc. The Organization transferred monies from its cash to establish the funds. At the time of the transfer, DAC granted variance power to the foundation. That power gives the foundation the right to distribute the investment income to another not-for-profit organization of its choice if the Organization ceases to exist or if the governing board of the foundation votes that support of the Organization is no longer necessary or is inconsistent with the mission and purposes of the community foundation. At September 30, 2016, the endowment funds had a value of \$10,817.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS

Fair value of the Organization's financial assets measured on a recurring basis at June 30, 2016, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Beneficial interest in endowments	\$ 10,817	\$ -0-	\$ 10,817	\$ -0-

FASB ASC 820, Fair Value, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset either directly or indirectly, and Level 3 assets have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs were also used. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available; no Level 3 inputs were used by the Organization.

Level 2 Fair Value Measurements — The fair value of the Organization's beneficial interest in endowments held by the community foundation consists of various investments and is based on inputs other than quoted prices in active markets provided by the foundation.

5. ENDOWMENTS

The Organization's endowments consist of two individual funds established to support the charitable purposes of the Organization. Its endowments represent funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the nature of the endowment restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Indiana act of the *Uniform Prudent Management of Institutional Funds* (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanent restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

5. **ENDOWMENTS** (continued)

Interpretation of Relevant Law (continued)

The remaining portion of the donor restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. The Organization is subject to the investment and spending policies of the community foundation.

Endowment net asset composition by fund type as of September 30, 2016, was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial interest in endowments	\$ -0-	\$ 817	\$ 10,000	\$ 10,817

Changes in endowment net assets for the year ended September 30, 2016, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Transfers from DAC		100	10,000	10,100
Change in value of beneficial interest in endowments		717		717
Donor designated net assets, end of year	\$ -0-	\$ 817	\$ 10,000	\$ 10,817

6. **PROPERTY AND EQUIPMENT**

DAC's property and equipment are as follows at September 30:

	<u>2016</u>	<u>2015</u>
Furnishings, fixtures, and equipment	\$ 1,668,589	\$ 1,510,937
Leasehold improvements	2,433,986	2,233,984
Construction in progress	39,258	3,640
	<u>\$ 4,141,833</u>	<u>\$ 3,748,561</u>
Accumulated depreciation	(2,757,569)	(2,494,989)
	<u>\$ 1,384,264</u>	<u>\$ 1,253,572</u>

Depreciation expense was \$318,984 and \$279,197 for 2016 and 2015, respectively.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

7. INVESTMENT IN LEASED PROPERTY

During 2013, DAC began construction of a parking structure that is being financed by the City of Muncie. As of September 30, 2016 and 2015, costs of \$5,000,157 and \$4,987,179, respectively, had been incurred. On September 10, 2013, DAC entered into a capital lease with City of Muncie Redevelopment Commission to lease the parking structure for a period of twenty-two years beginning January 15, 2016.

The following lists the components of the net investment in the direct financing lease as of September 30, 2016:

Total minimum lease payments to be received	\$ 9,404,810
Less unearned interest income	<u>(4,404,810)</u>
Net investment in direct financing lease	<u>\$ 5,000,000</u>

At September 30, 2016, minimum lease payments for each of the next five succeeding years are as follows:

Year Ending September 30,	Amount
2017	\$ 260,000
2018	260,000
2019	260,000
2020	260,000
2021	260,000

During 2015, DAC completed construction of a shell building located in the Industria Centre. As of September 30, 2016, costs associated with the land and building amounted to \$7,480,565. Financing was provided by Garmong Development Company, LLC. DAC entered into a promissory note to repay the obligation. At the same time, DAC entered into an operating lease with the Delaware County Redevelopment Commission for up to ten years. The lease proceeds will be used to pay the interest due on the note.

8. NOTES RECEIVABLE

A non-interest bearing note receivable due from Garmong Development Company, LLC, secured by a mortgage on real estate, is to be repaid by annual payments of \$55,838, commencing on December 31, 2011. The principal balance as of September 30, 2016 and 2015, was \$223,350 and \$293,147, respectively.

A non-interest bearing note receivable due from Briner Properties, LLC, is secured by a second mortgage on real estate located in Daleville, Indiana. No principal shall be due until the earlier of August 21, 2022, or the date of closing of any sale or lease of the property. If not paid by the maturity date, interest will accrue on the unpaid balance at the rate of 10% per annum. The principal balance as of September 30, 2016 and 2015, was \$333,200.

DELAWARE ADVANCEMENT CORPORATION**NOTES TO FINANCIAL STATEMENTS****9. NOTES PAYABLE**

During the year ended September 30, 2008, land was purchased for the construction of a shell building. The land was purchased with funds provided by the Delaware County Commissioners. In October 2010, the building was sold to Garmong Development Company, LLC. Proceeds collected under a note receivable with the buyer are to be forwarded to the Commissioners. The principal balance at September 30, 2016 and 2015, was \$223,350 and \$293,147, respectively.

Land located in Daleville, Indiana, was transferred to DAC by the Delaware County Redevelopment Commission for development of a shell building. Principal collected under a note receivable with Briner Properties, LLC will be forwarded to the Commission. The principal balance of the obligation at September 30, 2016 and 2015, was \$333,200.

Land was purchased from the Muncie Redevelopment Commission for the construction of a shell building. The land was purchased with funds provided by the Commission. Proceeds from the sale of the property are to be forwarded to them. In August 2015, a portion of the property was transferred as part of a sale transaction. The principal balance at September 30, 2016 and 2015, was \$78,534 and \$-0-, respectively.

On September 10, 2013, DAC entered into an agreement with the City of Muncie, the Muncie Redevelopment Commission, and Cardinal Square to construct a parking garage in the Village. The project was financed by bonds issued by the City of Muncie. Proceeds were loaned to DAC to pay construction costs. A note between DAC and the City of Muncie calls for payment of \$5,000,000 principal plus interest by February 1, 2038, in sums equal to the semi-annual payments due on the Series 2013 bonds. The City of Muncie assigned its rights in the note and requested that DAC make the payments directly to the bond trustee. Variable interest on the note is linked to the prime rate. As of September 30, 2016, the interest rate was 3.50%. The principal balance at September 30, 2016 and 2015, was \$4,816,510 and \$4,889,147, respectively.

During 2015, DAC completed construction of a shell building located in the Industria Centre. DAC entered into a promissory note with Garmong Development Company, LLC to finance the project. The note calls for semi-annual interest payments on the first day of January and July with the principal due the earlier of the closing of the sale of the building, the execution of a long term lease, or ten years. The note bears interest at the prime rate published in the Wall Street Journal plus .50% and is adjusted each January 1 and July 1. As of September 30, 2016, the interest rate was 4.00%. The principal balance at September 30, 2016 and 2015, was \$6,880,565. The land used for the project was transferred from Delaware County to DAC at a value of \$600,000. This amount is owing to the County.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. **NOTES PAYABLE** (continued)

Future principal payments required on debt outstanding at September 30, 2016, consisted of the following:

For the Year Ended September 30,	Amount
2017	\$ 103,237
2018	106,643
2019	110,161
2020	113,795
2021	117,549
2022 and thereafter	11,145,690
	\$ 11,697,075
Loans for which there are no required repayment schedules	1,235,084
	\$ 12,932,159

10. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at September 30:

	2016	2015
Vision 2016 Program (economic development)	\$ 107,900	\$ 252,984
Vision 2021 Program (economic development)	500	
Community Foundation endowment	817	
	\$ 109,217	\$ 252,984

11. **NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions at September 30, 2016 and 2015, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2016	2015
Purpose restrictions accomplished		
Vision 2016 Program		
(expenses for economic development)	\$ 296,365	\$ 612,380

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

15. OPERATING LEASES

DAC leases its operating facilities and the Convention Center under a noncancellable operating lease arrangement for one dollar (\$1.00) per year. This lease expires December 1, 2018. Under the agreement, DAC is responsible for all expenses associated with operating the Convention Center and will continue to receive a portion of the 1% Delaware County Food and Beverage Tax from the State of Indiana to fund the operations. The agreement also allows DAC to sublease the facility.

DAC subleases part of the Convention Center facility. The current month-to-month agreement calls for monthly payments of \$200.

The Organization leases two copiers under sixty-three month noncancellable leases at a cost per month of \$585. The leases expire in May 2018. The copiers are also being subleased to a related organization.

The above rental expense is offset by sublease rental income. The fee for the subleasing was based upon usage and, therefore, varied from month to month.

During 2015, DAC completed construction of a shell building located in the Industria Centre. The property is being leased to the Delaware County Redevelopment Commission. The term of the lease is for the earlier of ten years or the date the building is sold or leased to a party for a term of at least ten years. Future minimum lease receipts are as follows:

Year Ending September 30,	Amount
2017	\$ 258,021
2018	258,021
2019	258,021
2020	258,021
2021	258,021

Rent in the amount of \$269,673 and \$126,689 was received for the years ended September 30, 2016 and 2015.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were made available to be issued. The date is the same as the independent auditor's report date.